

I. Public Expectations and Mission

The Internal Revenue Service was established in its current form in 1952, in the wake of corruption scandals and a Presidential Commission.

The objective was to create an agency that would collect federal taxes according to the law without political or corrupt influence. The IRS mission statement, written in the 1960s and in effect until 1998, reflected the way the agency saw itself and was seen by the public. Its operative words were “collect the proper amount of tax.”

Over the last 47 years, the IRS succeeded remarkably in achieving the purpose established in 1952. The IRS today collects \$1.7 trillion, more than the total GDP of the United Kingdom and 26 times its collections in 1952. Corruption cases are few and are vigorously investigated and prosecuted, and the agency is strongly insulated from political influence.

At the same time, the volume and complexity of IRS operations expanded tremendously. Since 1952, the number of returns filed has more than doubled, and the number of pages in the Tax Code has expanded from 812 to approximately 3,500. The rate of change in the tax system and the economy is also great. In 12 years, there were approximately 9,500 changes to the Tax Code. The IRS today deals directly with more Americans than any other institution, private or public. Even the tax-exempt sector with over \$7 trillion in assets – including pension funds, charities and other non-governmental organizations – must comply with rules administered by the IRS.

For an agency that fulfilled its established purpose so well, the IRS has been the subject of a great deal of study and criticism in the last several years. The studies identified a wide range of problems: inadequate technology and failure of technology modernization programs, poor service to taxpayers, violations of taxpayer rights, failure to follow established procedures, lack of adequate training and resources for IRS employees, and inappropriate use of enforcement statistics, to name some of the most prominent. The public itself expressed its dissatisfaction by its response to surveys and ratings comparing the IRS to other public and private institutions. In such surveys,

the IRS usually ranked last among public and private institutions.

What is noteworthy about the problems identified in all the recent studies is that they are not the same ones identified in 1952. Instead, they focus on a different but equally fundamental issue: how the IRS affects the people who pay the tax—America’s taxpayers. What the public told the IRS, both directly and through various groups that studied the agency, is that it expects more from the IRS in the way it serves them. The public today has a legitimate expectation that the IRS will do its job in a manner that is no less effective than high-quality private and public sector organizations. After all, every taxpayer is also a customer of many other businesses and institutions, many of which provide consistently high-quality service to customers while also providing excellent results for shareholders and other stakeholders.

The IRS Restructuring and Reform Act of 1998 (RRA '98), which passed the House, 402-8, and the Senate, 96-2, incorporated many of the recommendations found in the studies that preceded it. The direction given to the IRS was clear: it must do a better job in meeting the needs of taxpayers. As required by the RRA '98, this direction is expressed in the new IRS mission statement:

Provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

This mission statement accurately describes the role of the IRS, as well as the public’s expectations as to how the IRS should perform it. In the United States, the Congress passes tax laws and requires taxpayers to comply with them. It is the role of taxpayers to understand and meet their tax obligations, and most do since roughly 98 percent of the taxes collected are paid without active intervention by the IRS. It is the role of the IRS to help the large majority of taxpayers who are willing to comply with the tax law, while seeing to it that the minority who are not willing to comply are not allowed to burden their fellow

taxpayers. The IRS must perform this role to a top quality standard, which means that all of its services should be seen by the people who receive them as comparable in quality to the best they get elsewhere.

Some observers have questioned whether the new mission statement underemphasizes the obvious need to collect taxes. On the contrary, the mission statement calls for the IRS to be more effective in all aspects of its mission, including application of the law to those who are unwilling to voluntarily comply.

Just as the best companies produce excellent shareholder returns by providing high-quality products and services to customers, it will also be expected that successful execution of this new IRS mission will produce tax revenues for the Treasury in accordance with the tax law without political or corrupt influence.

This new mission statement does not, in any sense, negate the intent of the previous one; rather it builds on it and sets a broader and higher performance standard. Only an institution that has been successful at one level can aspire to a higher level of performance.

Establishing a new mission for the IRS and clarifying the public's expectations are essential and meaningful steps in meeting those expectations. However, achieving this mission requires fundamental change in many aspects of an institution that has been built over many

years. This change must produce success in the new mission, while retaining the essential elements that created success in the past. Further, this change must take place while the IRS continues to administer a very large, complex and ever-changing tax system. Since the IRS will strive to perform at a level of quality achieved elsewhere in the economy, a major part of this change is guided by proven private and public sector best practices.

We refer to this whole process of change as “modernization,” because it involves building on the essential components that made the IRS successful in the past while bringing them up to date in a way designed to achieve the new mission. This entire process is summarized on the following page.

Internal Revenue Service

MISSION STATEMENT

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

GUIDING PRINCIPLES

- Understand and solve problems from taxpayer's point of view
- Enable managers to be accountable - knowledge, responsibility, authority, action
- Align measures of performance at all organizational levels
- Foster open, honest communication
- Insist on total integrity

GOALS

Service to Each Taxpayer:

- Make filing easier
- Provide first quality service to each taxpayer needing help with his or her return or account
- Provide prompt, professional, helpful treatment to taxpayers in cases where additional taxes may be due

Service to All Taxpayers:

- Increase fairness of compliance
- Increase overall compliance

Productivity Through a Quality Work Environment:

- Increase employee job satisfaction
- Hold agency employment stable while economy grows and service improves

